

one distinctly to be deprecated. It was rightly considered that (notwithstanding the convertibility at the Bank) the act was a needless and unfortunate violation of sound tradition.

It speedily became obvious that the Marine Insurance market of England could not sustain the stress of insuring British hulls and cargoes against the risk of capture by German cruisers. Unless then some effective remedy were applied our foreign trade stood in danger of collapse (particularly in respect of supplies of food), with the profound consequences of national instability and impotence, even of defence. An imperative solution was demanded for preserving unchecked our continuity of imports and—no less significant to our position—our maintenance of Exports to neutral countries. Accordingly the Chancellor of the Exchequer informed the House of Commons that, by means of our invincible Fleet and the establishment of a State War Insurance Scheme (for British shipping) our importation of food and raw materials could be rendered practically secure. "Under this arrangement—which applied separately to the war insurance of hulls and cargoes—the Government entered into an agreement with the principal mutual insurance associations or clubs (to which the insurance of the hulls of steamships against war risks had mainly been transferred from the underwriters). But the clubs merely insured against war risks which were excluded from ordinary marine policies,, and even this protection was restricted to vessels actually at sea or in the ports of an enemy when war occurred, until their arrival at a British or neutral port. The position, however, required that vessels should be continuously employed in commercial shipments from port (where they happened to be on the declaration of hostilities) to port. The clubs accordingly assented to maintain their insurance until each voyage was completed—80 per cent of the risk being insured with Government and the balance retained by the clubs. The remainder of the arrangement related to the insurance of cargoes where the Government accepted this particular

insurance limited to cargoes conveyed in British vessels which the clubs had so protected against the risk of war. This scheme of the State exercised a vast and beneficial influence upon the continuance of our commerce. Our u